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# **COVER NOTE**

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# COMMISSION STAFF WORKING DOCUMENT

Assessment of the impact of Article 17(6) of Directive (EU) 2019/790 of the European Parliament and of the Council on copyright and related rights in the Digital Single Market

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## 1. CONTEXT

Directive (EU) 2019/790 on copyright and related rights in the Digital Single Market (DSM Directive) introduced new rules to strengthen the position of rightholders to negotiate and be remunerated for the online exploitation of their works and other subject matter. In particular, Article 17 of the DSM Directive aims to support the development of the licensing market between rightholders and online content-sharing service providers (OCSSPs). It makes provision for a new specific liability regime applicable to OCSSPs.

Article 17(6) limits the scope of the specific liability regime for certain new OCSSPs with a small turnover: OCSSPs that have been available to the public in the EU for less than three years and have an annual turnover below EUR 10 million.

Under Article 30(1) second subparagraph of the DSM Directive, the Commission is required to assess, by 7 June 2024, the impact of the specific liability regime under Article 17(6) and, if appropriate, to take action accordingly. This Staff Working Document fulfils this requirement and presents the assessment of the specific liability regime applicable to new OCSSPs with a small turnover and audience, based on what information is available. The publication of this assessment was slightly delayed as, by 7 June 2024, not all Member States had yet fully transposed the directive.

This Staff Working Document does not provide an overall assessment of the impact of Article 17, which will need to be carried out no sooner than 7 June 2026 as part of the review of the DSM Directive<sup>1</sup>. The findings presented in this Staff Working Document concern only the application of the liability regime applicable to small and new OCSSPs, and are based on Commission's targeted consultations of Member States and stakeholders.

## 2. APPLICABLE LEGAL FRAMEWORK – ARTICLE 17(6) OF DIRECTIVE (EU) 2019/790

Article 17 introduces rules applicable to online content-sharing services providers (OCSSPs). This provision stipulates that an OCSSP performs an act of communication to the public or an act of making available to the public when it gives the public access to copyright-protected works or other protected subject matter uploaded by its users. As a result, these providers must obtain an authorisation, including via a licensing agreement, from the relevant rightholders, for the copyright-protected content uploaded by their users.

If no authorisation has been granted, Article 17(4) allows OCSSPs to avoid liability for unauthorised acts of communication and making available to the public of copyright-protected works and other subject matter, provided they can demonstrate they comply with the obligations set out in Article 17(4), including best efforts to obtain authorisation (Article 17(4)(a)), best efforts to ensure the unavailability of specific works and other subject matter (Article 17(4)(b)), and acting expeditiously upon notice to take down such specific works and other subject matter and best efforts to prevent future uploads (Article 17(4)(c)).

Article 17 applies to OCSSPs, as defined in Article 2(6) of the DSM Directive. Under Article 2(6), an OCSSP is a provider of an information society service of which the main, or

<sup>&</sup>lt;sup>1</sup> Article 30(1) of the DSM Directive states that 'No sooner than 7 June 2026, the Commission shall carry out a review of this Directive and present a report on the main findings to the European Parliament, the Council and the European Economic and Social Committee'.

one of the main purposes, is to store and give the public access to a large amount of copyright-protected works or other protected subject matter uploaded by its users, which it organises and promotes for profit-making purposes. The specific liability regime introduced in Article 17 does not, therefore, apply to providers of information society services that do not fulfil one or more of the criteria in that provision.

The EU co-legislators further limited the scope of the new specific liability regime with Article 17(6), which applies to OCSSPs available in the EU for less than 3 years and with a turnover below EUR 10 million. As recital 67 says, the objective of Article 17(6) is to take into account the specific case of start-up companies working with user uploads to develop new business models. In essence therefore, Article 17(6) limits the conditions under which the liability regime set out in Article 17(4) applies to OCSSPs. Smaller and newer OCSSPs only have to make best efforts to obtain authorisation from rightholders (Article 17(4)(a)) and to act expeditiously upon receiving a sufficiently substantiated notice to take down protected content ('notice and take down' obligation under Article 17(4)(c) first part).

New OCSSPs whose monthly unique visitors exceed 5 million also have to demonstrate that they have made best efforts to prevent further uploads of content for which the rightholders have provided relevant and necessary information ('stay down' obligation under Article 17(4)(c) second part).

However, the condition of best efforts to ensure the unavailability of unauthorised content, set out in Article 17(4)(b), is not applicable to either category of new OCSSPs that fall under Article 17(6).

Section 4 of the Commission's Guidance on Article 17 of Directive 2019/790 on Copyright in the Digital Single Market published on 4 June (2021, COM(2021) 288 final<sup>2</sup>, hereinafter 'the Guidance') provides indications on how to support the implementation of this provision. It explains the two-tier system set out in Article 17(6), with different rules applying to the new OCSSPs depending on the audience they attract, as explained above. The Guidance refers to Commission Recommendation 2003/361/EC and to the User Guide to the SME Definition<sup>3</sup> in relation to the method for calculating the annual turnover of service providers. Finally, the Guidance recalls that the rules of proportionality set out in Article 17(5) and the safeguards for legitimate users in Article 17(7) and (9) remain applicable to new OCSSPs.

## **Transposition of the Directive by Member States**

The deadline to transpose the DSM Directive was 7 June 2021. Four Member States transposed the Directive on time. On 23 July 2021, the Commission opened the infringement procedure by sending letters of formal notice to the Member States that did not communicate complete transposition of the Directive. In May 2022, the Commission followed up by sending reasoned opinions to 13 Member States<sup>4</sup> over their failure to notify the Commission of transposition measures on copyright and related rights in the Digital Single Market (Directive 2019/790).

<sup>2</sup> Communication from the Commission to the European Parliament and the Council Guidance on Article 17 of Directive 2019/790 on Copyright in the Digital Single Market, COM/2021/288 final, <a href="https://eurlex.europa.eu/legal-content/EN/ALL/?uri=COM:2021:288:FIN">https://eurlex.europa.eu/legal-content/EN/ALL/?uri=COM:2021:288:FIN</a>.

<sup>&</sup>lt;sup>3</sup> European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, User guide to the SME Definition, Publications Office, 2020, <a href="https://data.europa.eu/doi/10.2873/255862/">https://data.europa.eu/doi/10.2873/255862/</a>.

<sup>&</sup>lt;sup>4</sup> https://digital-strategy.ec.europa.eu/en/news/copyright-commission-urges-member-states-fully-transpose-eu-copyright-rules-national-law

Sixteen Member States had transposed it by the end of 2022, while six Member States finalised the transposition only in 2023. The remaining Member State notified the transposition of the Directive in August 2024.

Based on the laws notified by Member States for the transposition of the Directive<sup>5</sup>, all the Member States that notified transposition have transposed Article 17(6).

#### 3. CONSULTATION ACTIVITIES

#### 3.1. Consultation with Member States

The Commission consulted Member States on the application and impact of Article 17(6) using a questionnaire it sent to the members of the Copyright Contact Committee in February 2024.

Twenty-three Member States have replied to the questionnaire (Annex I).

The questionnaire asked Member States whether they had identified OCSSPs within the scope of Article 17(6) and if not, whether they planned to take further steps to identify them. The questionnaire also asked Member States if service OCSSPs, rightholders or users had reported any specific issue arising from, or impact of, Article 17(6).

The questionnaire also asked Member States if they believed the new liability regime had supported the development of new business models by start-up companies working with user uploads.

The feedback received from Member States is presented in Section 4 below. Some Member States pointed out that they had only recently started implementing the DSM Directive, with the result that no sufficient data on its impact was yet available.

## 3.2. Stakeholders' targeted consultation

In May 2024, the Commission launched a targeted consultation of relevant stakeholder groups, including collective management organisations, rightholders and OCSSPs within the scope of Article 17(6) regime. The consultation took place between 13 May and 7 June 2024. It focused on gathering feedback and experiences from these stakeholders on the practical application of Article 17(6).

In total, 37 responses were received, mainly from rightholders or their representative organisations and collective management organisations (CMOs). They mostly came from the music, audiovisual and publishing sectors, with only a few responses from visual arts or other sectors. The breakdown of the responses from the broad category of rightholders is as follows:

- 7 rightholders
- 5 CMOs

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<sup>&</sup>lt;sup>5</sup> https://eur-lex.europa.eu/legal-content/EN/NIM/?uri=CELEX:32019L0790

24 organisations representing rightholders (other than a CMO)<sup>6</sup>

As for OCSSP representatives, only one organisation representing start-ups participated. No online content-sharing service provider responded to the consultation. The full questionnaire is available in Annex II. The feedback received from stakeholders is presented in Section 4 below.

# 4. ASSESSMENT OF THE IMPACT OF ARTICLE 17(6)

This section reports on the findings concerning the application and impact of Article 17(6), based on the consultation with Member States and stakeholders.

## 4.1. Identification of the OCSSPs falling under Article 17(6)

Most Member States reported that they were not aware of OCSSPs falling under Article 17(6), or that they had no specific notification mechanisms, and no register or list of OCSSPs within the meaning of Article 17(6). Some Member States pointed out that, under the DSM Directive, there was no obligation to monitor to which OCSSPs the new specific liability regime applies. Other Member States replied that assessing the specific conditions of liability should be done if a complaint or court case is filed. Only one Member State reported having an OCSSP within the meaning of Article 17(6), identified through a specific notification mechanism linked to the implementation of the Digital Services Act<sup>7</sup>.

In France, the relevant authority has launched a national initiative to identify OCSSPs falling under the new specific liability regime of Article 17 of the DSM Directive.<sup>8</sup> While large OCSSPs have been identified successfully, no OCSSP falling under Article 17(6) has been identified.

Among stakeholders, only a few respondents to the consultation (three replies) reported being aware of OCSSPs falling under the scope of Article 17(6). In total, six OCSSPs were mentioned as possibly falling under Article 17(6).

Some respondents pointed out the difficulty of assessing whether the conditions under Article 17(6) applied, such as an OCSSP's annual turnover and the number of years of its availability. They pointed out the absence of transparent information or any mechanism requiring such OCSSPs to identify themselves publicly (for instance on a register or by other means). Some rightholders representatives (six replies) indicated that they planned to take specific steps to identify OCSSPs falling under the scope of Article 17(6) in the future, but provided no further information as to what this would involve.

## 4.2. General views on Article 17(6)

<sup>&</sup>lt;sup>6</sup> The organisations representing rightholders are typically EU or Member State trade associations.

<sup>&</sup>lt;sup>7</sup> OJ L 277, 27.10.2022, p. 1–102

<sup>8</sup> https://www.arcom.fr/nos-ressources/etudes-et-donnees/mediatheque/rapport-2022-de-la-mise-en-oeuvre-dela-mission-devaluation-des-mesures-de-protection-prises-par-les-fournisseurs-de-services-de-partage-decontenus

When asked about the role and effectiveness of the new specific liability regime for OCSSPs under Article 17(6), a few Member States argued that it supported innovation and gave start-ups time to grow before the specific liability regime fully applied, facilitating market access in an area dominated by a limited number of very large service providers.

Among stakeholders, one respondent drew attention to the overall complex regulatory environment that start-ups must deal with in general, including in relation to copyright. This respondent also highlighted the role of start-ups in the economy as drivers of innovation and expressed concerns over implementation costs, while acknowledging Article 17(6)'s flexible approach to compliance.

By contrast, several representatives of rightholders highlighted the risks that Article 17(6) creates for the exercise of their rights by carving out certain obligations for start-ups.

# 4.3. Impact of Article 17(6) on licensing between rightholders and OCSSPs

The obligation to demonstrate best efforts to obtain authorisation under Article 17 (4)(a) applies to all OCSSPs, including service providers that fall within the scope of Article 17(6).

The Commission Guidance on Article 17 provides operational indications for small OCSSPs with a limited or national audience (this may include service providers other than those who fall under Article 17(6)), who 'may be expected to contact proactively only the relevant CMOs and possibly a few other easily identifiable rightholders'. The Guidance adds that these smaller OCSSPs would need to take steps so that other rightholders could easily contact them, for example by providing clear contact details or ad hoc tools on their website and engaging with all rightholders by approaching them to offer a licence. For OCSSPs falling under Article 17(6), the Guidance highlights the importance of a case-by-case assessment of all OCSSPs to make sure that the obligation to obtain authorisation does not impose a disproportionate burden on start-ups.

During the consultations, most rightholders' representatives said it was difficult to conclude licensing agreements with start-ups. Several respondents, including a CMO, reported that licensing negotiations were rarely initiated by OCSSPs that could fall under Article 17(6). Only one CMO reported having engaged in licensing negotiations with an OCSSP that manifestly fell under Article 17(6).

# 4.4. Impact of Article 17(6) on the blocking and removal of unauthorised content

If no authorisation has been granted to OCSSPs falling under Article 17(6), these OCSSPs still have to demonstrate they are 'acting expeditiously, upon receiving a sufficiently substantiated notice, to disable access to the notified works or other subject matter or to remove those works or other subject matter from their websites', the requirement set out in Article 17(4)(c), first part.

A start-ups representative said in the consultation that the requirement to disable access to or remove unauthorised content can be particularly burdensome for smaller companies due to limited resources and the need to deploy sophisticated technologies. Some rightholders claim

that such technologies are affordable for all market participants, including those falling under Article 17(6).

Further evidence of the use and cost of such technologies was not provided in the replies to the consultation. However, in this respect, it is important to make a distinction between OCSSPs falling under Article 17(6) that need to comply with the 'notice and take down obligation' (Article 17(4)(c) first part), and OCSSPs with more than 5 million monthly visitors that are also subject to the 'stay down obligation' (Article 17(4)(c), second part).

The latter are also required to demonstrate that they have made best efforts to prevent future uploads of works notified by rightholders (stay down). To this end, they may need to use technological solutions such as automatic content recognition tools. However, the Commission Guidance on Article 17 says that, to fulfil the obligation to demonstrate that they have made best efforts to prevent future uploads of notified works, it would be proportionate, for services falling under Article 17(6), to use less complex and less costly solutions compared to service providers subject to Article 17(4)(b).

Several rightholders and CMOs reported relying on takedown notices to request the disabling access to works and other subject matter for which authorisation had not been granted (four positive replies). Some expressed the hope that this could lead to licensing negotiations, but no further evidence was provided on this.

Other respondents pointed out that one Member State had introduced a rebuttable presumption, regardless of their audience, for micro-enterprises (OCSSPs with an annual turnover under EUR 1 million). They expressed worries that this may affect the 'stay down' obligation (Article 17(4)(c), second part).

## 4.5. Enforcement and possible abuses of Article 17(6)

Recital 67 says that the specific liability regime for new OCSSPs with a small turnover and audience should apply to genuinely new businesses, and should therefore cease to apply 3 years after their services first became available online in the EU. It states that the specific regime applicable to new OCSSPs with a small turnover and audience should not be abused by putting in place arrangements aimed at extending its application beyond the first 3 years.

No Member State reported having been notified of abuses in the sense described in recital 67, such as extending its application beyond the first 3 years.

Several representatives of rightholders who responded to the consultation reported the allegedly unfair practices of some OCSSPs to circumvent their obligations, and cases of potentially illegal abuses of Article 17(6). In total, 14 respondents representing rightholders expressed concerns about the risk that some OCSSPs abused Article 17(6). According to them, these alleged abuses would result in a dearth of licensing opportunities, depriving rightholders of the remuneration due to them<sup>9</sup>. According to some replies, some OCSSPs allegedly adapt and readapt their legal forms periodically in order to continue falling under Article 17(6) or

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<sup>&</sup>lt;sup>9</sup> A few respondents also gave examples of OCSSPs that share illegal content. It is however unclear if they fall under Article 17(6). In such cases, as recital 62 states, OCSSPs whose main purpose is to engage in or facilitate piracy should not benefit from the liability exception mechanism set out in Article 17(6) (see Section 3.2.2 for more details).

even to avoid their legal obligations entirely by obfuscating their contact details. However, respondents provided only anecdotal examples not backed up by evidence.

No complaint or national court case was reported during the consultations.

#### 5. CONCLUSIONS

Overall, the regime set out in Article 17(6) is appreciated by Member States, who highlighted the need for such a mechanism to enable start-ups working with user uploads to develop new business models in the EU and support innovation. Representatives of start-ups reiterated the significance of this mechanism in supporting innovation and alleviating their burden.

However, limited evidence has been collected from Member States and stakeholders regarding the practical application of this regime applicable to new and small OCSSPs. Very few Member States have identified OCSSPs that would fall under Article 17(6). At the same time, no specific issues with the implementation Article 17(6) have been reported by Member States.

Representatives of rightholders underscored the lack of means of identifying the relevant OCSSPs falling under Article 17(6) as one of the main obstacles to assessing the mechanism's impact. They also reported difficulties concluding licensing agreements with OCSSPs with a small turnover and audience and expressed concerns about the risks of abuses of the mechanism (sections 4.3 and 4.5 mainly), though without further substantiated evidence.

Given these practical difficulties, Member States are encouraged to maintain or establish voluntary mechanisms to facilitate agreements between rightholders and OCSSPs, including OCSSPs that fall under Article 17(6), as the Commission Guidance on Article 17(6) indicates, and taking into account EU competition rules<sup>10</sup>. For example, voluntary mediation mechanisms could be considered in specific cases or sectors in order to support parties willing to reach a licensing agreement but having difficulty negotiating it.

Considering the limited evidence gathered from the consultations of Member States and stakeholders, it is difficult to draw at this stage any further conclusion. It should also be borne in mind that the DSM Directive has been transposed with delays in many Member States, leaving a limited period of time to assess the application of Article 17(6). A further caveat is that the analysis in this assessment does not constitute an overall assessment of the effectiveness and impact of Article 17, only of the rules applicable to new OCSSPs with a small turnover and audience. The actual impact of the regime set out in Article 17(6) on start-ups and rightholders will need to be further examined in the context of the assessment of Article 17, which will require additional information and evidence.

In light of these findings, the Commission will continue to monitor the application of Article 17(6) and engage in discussions with stakeholders, including online content sharing service providers, on the issues and risks identified in this assessment, taking into account the experience during this first consultation exercise. Further analysis, including a comprehensive analysis of the impacts of Article 17, will be done in the context of the review of the Directive,

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<sup>&</sup>lt;sup>10</sup> More guidance on the applicability of Article 101 of the Treaty to horizontal and vertical cooperation agreements can be found at Block Exemption Regulations - European Commission (europa.eu)

due no sooner than 7 June 2026, and the Commission will present a report on the main findings to the European Parliament, the Council and the European Economic and Social Committee.

## **ANNEX I: QUESTIONS FOR MEMBER STATES**

- 1. Are you aware of service providers benefiting from the lighter regime of Article 17(6)? Could you please provide a list of the service providers you have identified so far in your Member State?
- 2. Article 17(6) lays down a specific condition for these new service providers 'where the average number of monthly unique visitors of such service providers exceeds 5 million, calculated on the basis of the previous calendar year'. Have you identified new service providers meeting this threshold of monthly unique visitors? If so, could you please provide a list of the service providers concerned in your Member State?
- 3. If you replied YES to either question 1 or 2, could please explain how you have identified the service provider(s) subject to Article 17(6)?
- 4. If you replied NO to either question 1 or 2, are you planning to take further steps to identify service providers in your Member State that fall under the regime of Article 17(6)? Please explain.
- 5. Article 17(6) only applies to OCSSPs which have been in the market for less than three years. As mentioned in recital 67 of the Directive, it is important to ensure that this regime is not abused by arrangements extending the application of this lighter regime beyond the first three years. Do you plan to monitor the application of this regime (in particular the respect of the conditions set out in Article 17(6), i.e. the three years deadline, the annual turnover and the number of visitors) and if so, how?
- 6. Have you received any feedback from the stakeholders on the impact of this provision on the involved parties (service providers, rightholders, users)? Please explain.
- 7. Are you aware of any specific issue related to the application of this provision?
- 8. Do you consider that the lighter liability regime of Article 17(6) allowed to support the development of new business models by start-up companies working with user uploads? What are your views on the impact of this regime on service providers, rightholders and users?

## ANNEX II: QUESTIONS TO STAKEHOLDER GROUPS

# General information concerning the respondent

Please identify yourself and the stakeholder category you represent. Any personal information is subject to the following <u>privacy statement</u>.

\* I am responding as

(it is possible to select several categories)

A rightholder

A collective management organisation (CMO)

An independent management entity (IME)

A representative of an organisation acting on behalf of rightholders (other than a CMO or IME)

An online content-sharing service provider (OCSSP) or a representative of a trade organisation representing an OCSSP

Other (please specify)

- \* First Name and Surname (this will not be published)
- \* Email (this will not be published)
- \* Organisation name (only published with your consent)
- \* Country of residence or principal establishment

Please indicate your preference for the publication of your response on the Commission's website

Under the organisation name given: Your contribution will be published under the organisation name given together with all information contained in your contribution. You declare that none of it is subject to copyright restrictions that prevent publication.

Anonymously: Your contribution will be published anonymously (the organisation name will not be published, only the respondent type and country you select) and all information contained in your contribution will be published. You declare that none of it is subject to copyright restrictions that prevent publication.

Confidential: Your contribution will not be published but will be used by the Commission in the analysis of the collected information and data.

\* Is your organisation registered in the Transparency Register of the European Commission and the European Parliament?

Yes

Please indicate your organisation's registration number in the Transparency Register

No

# Questions to rightholders

In which sector(s) do you operate?

Music

Audiovisual

Publishing

Visual arts Other

Which specific rightholder(s) do you represent and in which territory?

Are you aware of new online content-sharing service providers (OCSSPs) that can benefit from the lighter liability regime introduced in Article 17(6) of the DSM Directive (for OCSSPs active in the market for less than 3 years and with an annual turnover of less than 10 million EUR)?

Yes

Which ones?

No

To your knowledge, do some of these new online content-sharing service providers have more than 5 million monthly unique visitors?

Yes

Which ones?

No

I do not know.

Have you engaged in negotiations with the OCSSPs falling under the lighter regime for the uses covered under Article 17?

Yes

No

Have you concluded a licensing agreement with these service providers?

Yes

No

Have you ever sent notices to the OCSSPs falling under the lighter regime asking them to disable access or remove from their websites works for which no authorisations were granted?

Yes

Please explain your experience

No

If no authorisation has been granted, have you shared relevant and necessary information on your works to allow the OCSSPs falling under the lighter regime and having more than 5 million monthly unique visitors to make their best efforts to prevent further uploads?

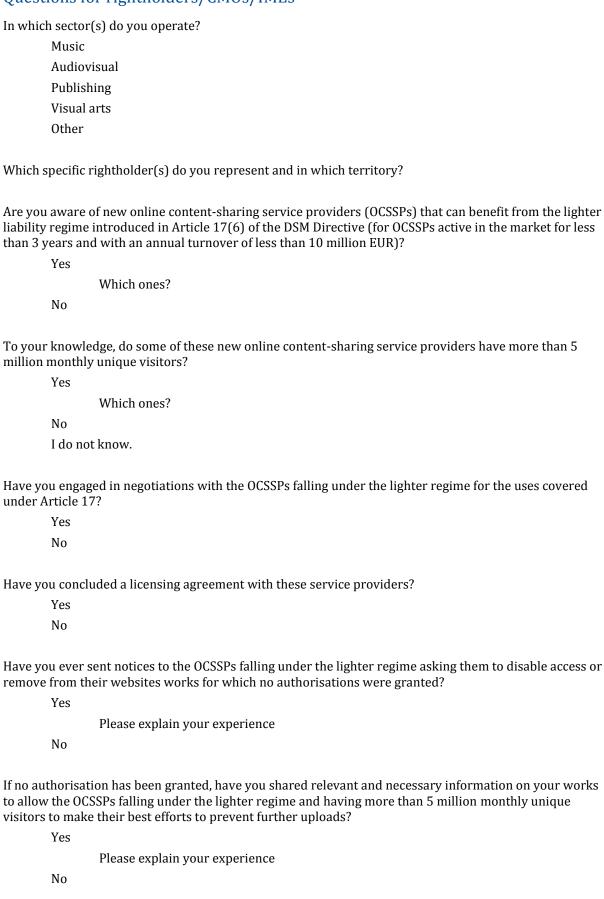
Yes

Please explain your experience

No

Article 17(6) only applies to OCSSPs which have been in the market for less than 3 years. As mentioned in recital 67 of the Directive, it is important to ensure that this regime is not abused by arrangements extending its application beyond the first 3 years. Do you see any risk or are you aware of abuse(s) associated with the lighter regime under Article 17(6)? Please provide any argument/evidence if relevant.

# Questions for rightholders/CMOs/IMEs



Article 17(6) only applies to OCSSPs which have been in the market for less than 3 years. As mentioned in recital 67 of the Directive, it is important to ensure that this regime is not abused by arrangements extending its application beyond the first 3 years. Do you see any risk or are you aware of abuse(s) associated with the lighter regime under Article 17(6)? Please provide any argument/evidence if relevant.

# Questions for service providers/trade associations

Do you or some of your members store and give the public access to copyright-protected works or other protected subject matter uploaded by their users for profit-making purposes (OCSSP)?

Yes Which ones?

Are you or some of your members active in the market for less than 3 years with an annual turnover of less than 10 million EUR (thus benefiting from a lighter liability regime as per the first subparagraph of Article 17(6) of the DSM Directive)?

Yes  $\label{eq:Which ones} Which ones? Do some of them have more than 5 million monthly unique visitors? No$ 

Have you or some of your members engaged in negotiations with rightholders, collective management organisations (CMOs), or independent management entities (IMEs) for the uses of copyright-protected content covered by Article 17?

Yes No

Have you or some of your members concluded a licensing agreement with rightholders, CMOs, or IMEs?

For the works for which no authorisation has been granted and for which you or your members have received a notice from rightholders, which steps have you or your members taken to prevent further uploads of the notified works? Please explain.

The lighter liability regime provided for under Article 17(6) ceases to apply 3 years after the services first became available online in the EU. Have you or your members considered taking the necessary steps for the transition towards the main regime set out in Article 17 and related additional obligations to ensure compliance?

Yes No

Which steps have you or your members taken in this regard?

## Common questions

The lighter liability regime is intended to take into account the specific case of start-up companies working with user uploads to develop new business models (recital 67). In your opinion, how effective has the lighter liability regime in Article 17(6) been in facilitating the implementation of or compliance with Article 17 for start-ups?

Please indicate what have been so far, in your opinion, the impacts of this lighter liability regime on your activities or the activities of stakeholders you represent?